



GARY R. HERBERT
Governor

GREGORY S. BELL
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

March 5, 2012

CERTIFIED RETURN RECEIPT

7011 0110 0001 3568 3049

David Penney
2400 East 30 South
Box 312
Beaver, Utah 84713-0312

Subject: Review of Reclamation Surety, David Penney, Sliver 3-4, S/001/0057, Beaver County, Utah

Dear Mr. Penney:

The last surety estimate for the Sliver 3-4 mine was done in 2004 and escalated to 2009 dollars. The surety amount needs to be adjusted to account for changes in reclamation costs.

Your current bond is in the form of a nationwide bond with the Bureau of Land Management, and \$20,000.00 of this bond has been allocated for the Sliver mine. Based on average reclamation costs, the surety amount needs to be increased from 20,000 to \$26,700 for a 3-year escalation or \$27,800 for a 5-year escalation. The average reclamation costs are outlined below:

3-year escalation (2015)

| Item | Qty | Unit Cost | Total Cost |
|-------------------------|----------|------------|--------------------|
| 1st Acre Disturbance | 1 | \$7,900.00 | \$7,900.00 |
| Add'l Acres Disturbance | 4 | \$4,700.00 | \$18,800.00 |
| TOTAL | 5 | | \$26,700.00 |

5-year escalation (2017)

| Item | Qty | Unit Cost | Total Cost |
|-------------------------|----------|------------|--------------------|
| 1st Acre Disturbance | 1 | \$8,200.00 | \$8,200.00 |
| Add'l Acres Disturbance | 4 | \$4,900.00 | \$19,600.00 |
| TOTAL | 5 | | \$27,800.00 |



David Penney
Page 2 of 2
S/001/0057
March 5, 2012

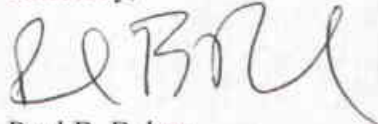
Please contact the bond coordinator, Penny Berry, at 801-538-5291 or by e mail at bondcoordinator@utah.gov for information about submitting the additional bond. You may submit a letter of credit, a certificate of deposit, a surety bond, or cash. Bonding forms are available on the Internet at <http://www.ogm.utah.gov/minerals/MINERALSFORMS.htm>.

As an alternative to increasing the surety amount, the reclamation liability can be decreased by reclaiming a portion of the site and amending the Notice of Intention to Commence Small Mining Operations (NOI) to show the decreased acreage. If you decide to pursue this option, please contact the lead inspector Tom Munson at 801-538-5321. The Division would need to continue to hold adequate surety for the reclaimed area while vegetation is becoming established.

Please provide the additional surety or perform the reclamation no later than May 4, 2012.

Thank you for your help in keeping the surety current. If you have any questions concerning this letter, please contact me at 801-538-5261 or lead at 801-538-5321.

Sincerely,



Paul B. Baker
Mining Program Manager

PBB:tm:pb

cc: eginouve@blm.gov
epartner77@gmail.com

P:\GROUPS\MINERALS\WP\M001-Beaver\M0010057-Silver3-4\final\escalate-4688-3012012.doc